



131st MAINE LEGISLATURE

FIRST REGULAR SESSION-2023

Legislative Document

No. 1080

S.P. 449

In Senate, March 9, 2023

An Act to Require the Termination of Private Mortgage Insurance

Reference to the Committee on Health Coverage, Insurance and Financial Services suggested and ordered printed.

A handwritten signature in black ink, appearing to read "D M Grant", is positioned above the printed name of the Secretary of the Senate.

DAREK M. GRANT
Secretary of the Senate

Presented by Senator POULIOT of Kennebec.
Cosponsored by Representative COLLINGS of Portland and
Senators: BRENNER of Cumberland, DAUGHTRY of Cumberland, LIBBY of Cumberland,
VITELLI of Sagadahoc.

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 33 MRSA §507-A is enacted to read:

§507-A. Private mortgage insurance in residential mortgage transactions

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Actual value" means, with respect to a residential mortgage transaction, the contemporaneous value of the property securing the mortgage as determined by an automated valuation model.

B. "Automated valuation model" means a computerized model used to determine the value of property securing a residential mortgage transaction that complies with Title XI, Section 1125 of the federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as in effect on January 1, 2023, 12 United States Code, Section 3354, and with regulations adopted pursuant to that section, if any.

C. "Private mortgage insurance" has the same meaning as in the federal Homeowners Protection Act of 1998, as in effect on January 1, 2023, 12 United States Code, Section 4901(13).

D. "Residential mortgage transaction" means a transaction in which a mortgage, deed of trust, purchase money security interest arising under an installment contract or equivalent consensual security interest is created or retained against a single-family dwelling that is the principal residence of the mortgagor to finance the acquisition, initial construction or refinancing of that dwelling.

2. Automatic termination. Private mortgage insurance in connection with a residential mortgage transaction automatically terminates on the date that the outstanding balance of the mortgage first reaches 80% or less of the actual value of the property securing the mortgage or at the end of the 24th month following the date of the transaction, whichever occurs earlier.

3. Prohibited provisions. A mortgagee in a residential mortgage transaction may not require the mortgagor to carry private mortgage insurance beyond the date of automatic termination specified in subsection 2 or precondition the termination of private mortgage insurance on or after the date of automatic termination specified in subsection 2 upon the mortgagor's making of a request for termination.

Sec. 2. Application. This Act applies to private mortgage insurance created or renewed on or after the effective date of this Act and to residential mortgage transactions entered into on or after the effective date of this Act.

SUMMARY

This bill provides that private mortgage insurance in connection with a residential mortgage transaction automatically terminates on the date that the outstanding balance of the mortgage first reaches 80% or less of the actual value of the property securing the mortgage, as determined by an automated valuation model, or 2 years after the date of the transaction, whichever occurs first. The bill defines "private mortgage insurance" and "residential mortgage transaction" in a manner that is consistent with the definitions of these terms in the federal Homeowners Protection Act of 1998, as amended, which are

1 currently codified in 12 United States Code, Section 4901. It also defines "automated
2 valuation model" as a computerized model used to determine the value of property securing
3 a residential mortgage transaction that complies with the requirements of Title XI, Section
4 1125 of the federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989,
5 which is currently codified in 12 United States Code, Section 3354.